United Nations TD/B/65(2)/1

United Nations Conference on Trade and Development

Distr.: General
20 July 2018

Original: English

Trade and Development Board
Sixty-fifth session, part II
Geneva, 1–4 October 2018
Item 1 of the provisional agenda
Adoption of the agenda and organization of the work of the session

Provisional agenda and annotations

Note by the UNCTAD secretariat

The provisional agenda for the sixty-fifth session, part II, of the Trade and Development Board is reproduced in chapter I below. The secretariat's annotations, contained in chapter II, are intended to provide essential background information covering the provisional agenda items, together with a brief description of the relevant documentation.

A checklist of documents relating to all agenda items will be issued at the beginning of the session.

GE.18-12068(E)
1812068

Please recycle

I. Provisional agenda

1. Adoption of the agenda and organization of the work of the session
2. Evaluation and review of UNCTAD implementation of the quadrennial conference outcome
3. Interdependence and development strategies in a globalized world
4. Economic development in Africa
5. Investment for development
6. Report on UNCTAD assistance to the Palestinian people
7. Provisional agenda for the sixty-sixth session of the Trade and Development Board
8. Other business
9. Adoption of the report

II. Annotations to the provisional agenda

1. The provisional agenda of the sixty-fifth session, part II, of the Trade and Development Board was approved during the sixty-fifth session, part I, of the Board on 26 June 2018.

Item 1
Adoption of the agenda and organization of the work of the session

Agenda

2. The provisional agenda for the session is reproduced in chapter I above.

Organization of work

3. In order to accommodate the suggestions made by delegations, meetings of the session of the Trade and Development Board have been organized in such a way as to ensure that no two meetings will take place simultaneously. They have been designed with a view to ensuring effective participation by delegations, particularly small delegations, and also to making the most efficient use of the conference resources of the United Nations. A detailed programme will be made available in due course.

Item 2
Evaluation and review of UNCTAD implementation of the quadrennial conference outcome

4. In accordance with paragraph 15 of the Nairobi Maafikiano, the Secretary-General of UNCTAD will present a report on UNCTAD implementation of the quadrennial outcome. The report will be the basis for member States' discussions, which may result in recommendations regarding implementation of the outcome document.

Documentation

TD/B/65(2)/CRP.1 Midterm review of the Nairobi Maafikiano

Item 3
Interdependence and development strategies in a globalized world

5. Deliberations by the Trade and Development Board under the agenda item will provide an opportunity to consider the *Trade and Development Report, 2018: Power, Platforms and the Free Trade Delusion*.

6. The report will examine different aspects of the nature and role of international trade in the era of hyperglobalization and consider related policy challenges that will need to be addressed if trade is to contribute to a more stable and inclusive global economic order.

Documentation

UNCTAD/TDR/2018 and Overview	*Trade and Development Report, 2018: Power, Platforms and the Free-Trade Delusion*

Item 4
Economic development in Africa

7. Under the item, the Trade and Development Board will consider a report on UNCTAD activities in support of Africa, which is prepared every year and presented to a session of the Board. The report provides an overview of research and analysis being undertaken by UNCTAD with regard to African development, as well as a summary of specific activities, including advisory services and technical cooperation, in each sector that falls under the mandate of UNCTAD.

Documentation

TD/B/65(2)/2	Activities undertaken by UNCTAD in support of Africa Report by the Secretary-General of UNCTAD

Item 5
Investment for development

8. There is a global trend towards stronger involvement of Governments in pursuing their development goals. Industrial policies are a core instrument of development strategies, and investment policies are a key element of industrial policies. Against the background of a new industrial revolution and the move towards a digital economy, it is critical to review existing and new industrial development strategies and to analyse their interaction with investment policymaking in this new era of globalization.

9. The discussions will be informed by the latest UNCTAD research and policy analysis, which examine the challenges that countries at different development levels face in adapting their investment policies to the new industrial revolution and present policy options to make both industrial policies and investment policies work for sustainable development. The discussions will be an opportunity to hear different perspectives from eminent panellists, which will lead to an interactive dialogue among participants and panellists, bringing in national, regional and interregional perspectives.

10. In addition, the meeting will provide an opportunity for a briefing by the secretariat on the latest developments regarding global trends in and policies on foreign direct investment.

Documentation

UNCTAD/WIR/2018 and Overview	*World Investment Report 2018: Investment and New Industrial Policies*

Item 6
Report on UNCTAD assistance to the Palestinian people

11. As in previous years, the UNCTAD report on assistance to the Palestinian people analyses key issues and recent economic developments in the Occupied Palestinian Territory. The report highlights the rise in Palestinian unemployment, decline in per capita income, dependence on the Israeli economy and expansion of the Israeli settlements in the Occupied Palestinian Territory and elaborates on the de-development of the Gaza Strip.

12. The report updates the Trade and Development Board on proposed and recent UNCTAD technical cooperation activities in the Occupied Palestinian Territory and the challenges the secretariat faces in implementing those activities.

Documentation

TD/B/65(2)/3	Report on UNCTAD assistance to the Palestinian people: Developments in the economy of the Occupied Palestinian Territory

Item 7
Provisional agenda for the sixty-sixth session of the Trade and Development Board

13. A draft provisional agenda for the sixty-sixth session of the Trade and Development Board will be prepared by the secretariat for the consideration of the Board.

Item 8
Other business

Item 9
Adoption of the report

14. The report of the Trade and Development Board to the General Assembly will contain negotiated outcomes, as well as the President's summary and any decisions that the Board may decide to adopt.

United Nations TD/B/65(2)/2

United Nations Conference on Trade and Development

Distr.: General
23 July 2018

Original: English

Trade and Development Board
Sixty-fifth session, part II
Geneva, 1–4 October 2018
Item 4 of the provisional agenda
Economic development in Africa

Activities undertaken by UNCTAD in support of Africa

Report by the Secretary-General of UNCTAD

Executive summary

This report covers the activities carried out by UNCTAD in support of Africa from May 2017 to April 2018. The report also describes the impact that the work of UNCTAD has had on the development of Africa in the following areas: transforming economies, tackling vulnerabilities and building resilience, improving competitiveness, enriching multilateralism, empowering people and investing in their future.

GE.18-12159(E)

1812159

Please recycle

I. Major highlights in 2017

A. Contributions to major international events that shaped policymaking in Africa

1. The following international events, which took place in 2017, will have an impact on Africa and the work programme of UNCTAD in Africa:

(a) Member States of the African Union signed the Agreement Establishing the African Continental Free Trade Area in March 2018. UNCTAD played a key role in supporting the design of the Agreement and in building consensus on the African Continental Free Trade Area;

(b) In October, a high-level conference on international investment agreements was held in Geneva, Switzerland, as part of the fifth session of the Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development. UNCTAD, in partnership with the Economic Commission for Africa, held a side event on the Pan-African Investment Code and the investment chapter of the Agreement;

(c) In July 2017, UNCTAD, in collaboration with the Government of Rwanda and the United Nations Development Programme, convened in Rwanda a continent-wide youth entrepreneurship summit called Youth Connekt Africa. The event provided African youth with an opportunity to interact with continental leaders, including the President of Rwanda, the Secretary-General of UNCTAD and the Special Adviser to UNCTAD on Youth Entrepreneurship and Small Business.

B. Impact of the Regional Office for Africa

2. Since its establishment in 2015, the Regional Office for Africa has aimed to strengthen the impact of UNCTAD and the effective delivery of development outcomes for Africa, and meet the needs of the African Union Commission and its member States on how to use trade as a tool for sustainable development. The Regional Office continues to spearhead the delivery of UNCTAD technical assistance in a demand-driven manner, with the organization playing a critical role in providing trade capacity-building to African countries. Key focus areas are as follows:

(a) African Continental Free Trade Area;

(b) Trade facilitation;

(c) Small and medium-sized enterprise (SME) development;

(d) Investment;

(e) Support to regional economic communities[1] and individual African countries.

3. The impact of the Regional Office on the work of UNCTAD on trade in Africa includes ongoing collaboration between UNCTAD and the African Union Commission, and the provision of technical support to the Commission and its member States. In May, October and November 2017, UNCTAD participated in four meetings of the African Continental Free Trade Area Negotiation Forum that took place in Addis Ababa and Abuja. Further, UNCTAD provided organizational resources to support the design and negotiation of the Agreement. The Agreement is expected to break down barriers to intra-African trade and create new opportunities for African communities to increase the volume and value of exports through additional markets, thereby facilitating structural transformation in Africa.

[1] These include the Economic Community of West African States, the Common Market for Eastern and Southern Africa, the East African Community and the Southern African Development Community.

4. UNCTAD continued to work with the African Union and its member States to formulate inclusive and sustainable development strategies and policies on key areas in the implementation of trade facilitation reforms, which are pivotal in boosting the competitiveness of African industry. UNCTAD supported the African Union in finalizing its trade facilitation strategy. At the national and regional levels, the Trade Facilitation Empowerment programme supported the establishment and strengthening of national trade facilitation committees across Africa. UNCTAD also provided support for regional approaches to diversification strategies in the regional services policy review of the Economic Community of West African States and the five-year trade and development strategy of the East African Community.

5. The Regional Office strengthened capacity for SME development in Africa. During the African Ministerial Forum held in connection with the Global Entrepreneurship Congress in Johannesburg, South Africa, government ministers from several African countries shared experiences on how they could better empower SMEs in their countries. The event featured addresses by the Secretary-General of UNCTAD and the Chief Economic Officer of the New Partnership for Africa's Development.

II. Outcomes and impact of UNCTAD activities in support of Africa

A. Transforming African economies

6. UNCTAD research and policy analysis provides pragmatic policy recommendations that support African countries in transforming their economies to accelerate sustainable development and facilitate the region's integration into the world economy.

Energy access

7. In November, UNCTAD launched *The Least Developed Countries Report 2017: Transformational Energy Access* in Lesotho, Senegal, the United Republic of Tanzania and Zambia. Key findings and policy messages of the report, which explored energy access in developing countries, were presented during the launches. The least developed countries have the most people without access to electricity, and the proportion has grown steadily since 1990. The report noted that expanding access to adequate, reliable and affordable modern energy was critical for productive capacities and structural transformation, and in promoting inclusive growth. In addition, the report emphasized the need for policies in strengthening electricity systems and electricity governance and finance in those countries, harnessing the energy-transformation nexus and international dimensions.

Tourism for structural transformation

8. In July, the *Economic Development in Africa Report 2017: Tourism for Transformative and Inclusive Growth* was launched in several African countries. The report examined the key policy barriers to unlocking the potential of tourism to contribute to structural transformation and provided policy recommendations on how to overcome them. The report also highlighted the sector's potential to address Africa's sustainable development challenges and discussed how tourism, if properly harnessed, could foster inclusive growth by providing opportunities to vulnerable groups, including the poor, women and youth; promote economic diversification through niche tourism markets; support intraregional tourism and promote peace and security. Delegates and regional groups[2] that attended the high-level segment on exploiting the potential of tourism for transformative growth in Africa during the sixty-fourth annual session of the Trade and Development Board in Geneva in September welcomed the research and analysis.

[2] Africa Group; European Union; Group of 77 and China; Kenya; Ethiopia; and Zimbabwe.

9. During the reporting period, UNCTAD undertook a series of training workshops in Africa aimed at building human and institutional capacities of African stakeholders (policymakers, trade negotiators, civil society and entrepreneurs) in order to harness the opportunities arising from the services sector and services trade.

Building capacities of African trade officials in services trade negotiations

10. Services are critical to national economies and integral to the Sustainable Development Goals. The achievement of several of the Goals is contingent upon the availability of well-functioning infrastructure and basic services and universal access to both. Productive and efficient services can boost sector competitiveness, which is critical to the economic transformation of Africa. UNCTAD conducted follow-up activities to support Lesotho, Rwanda and Uganda in implementing their services policy reviews. As part of ongoing efforts to support and build the capacity of research and training institutions in Africa on trade issues, UNCTAD in October strengthened its collaboration with the Trade Policy Training Centre in Africa in the United Republic of Tanzania and delivered a training course on services.

11. As part of its ongoing support to the regional economic communities, UNCTAD initiated the development of a regional services policy review for the Economic Community of West African States, which aims to support regional integration and ensure coherence in member States' negotiating positions across various trade forums.

Harnessing investment and leveraging technology for structural and economic transformation

12. UNCTAD conducts activities across its three pillars of research and policy analysis, technical assistance and consensus-building to help African countries harness domestic and foreign investment as a means of catalysing structural transformation in their economies.

13. Investment policy reviews produced by UNCTAD support African countries in attracting foreign direct investment. The reviews reflect the findings of diagnostic studies conducted by UNCTAD of the legal, regulatory and institutional frameworks for investment specific to each country, and identify areas for improvement. During the reporting period, UNCTAD completed the investment policy review of the Gambia and initiated preparations for investment policy reviews in Angola, Cabo Verde and Chad. The implementation report of the investment policy review of Mauritius was published, and the implementation report of the investment policy review of Nigeria was initiated. UNCTAD, in collaboration with the World Bank/International Finance Corporation and the United Nations Development Programme Kenya, provided technical assistance in the development of the Kenya Investment Policy.

14. Information and communications technology (ICT) policy reviews are instrumental in leveraging technology for Africa's economic transformation. The reviews are aimed at helping countries harness the potential of ICTs to enhance competitiveness, promote economic growth and foster structural transformation. Egypt formally launched its new national e-commerce strategy in December 2017, which was jointly developed by UNCTAD and the Ministry for Communications and Information Technology. At the request of the Ministry of Trade and Industry of Rwanda, UNCTAD began working on a national e-commerce strategy that will be completed in September 2018.

15. Other tools, such as national green export reviews, promote climate-friendly trade and production strategies. UNCTAD pursues objectives aimed at addressing climate change and promoting climate-friendly trade and production strategies, including in the green economy. As part of such projects in Ethiopia, Madagascar, Morocco and Senegal that aim to promote exports in the green sector, UNCTAD conducted national stakeholder workshops on green exports in Madagascar and Senegal in July and October, respectively, and published the national green exports reviews of the agricultural sectors of Madagascar and Morocco in July.

16. The aim of UNCTAD science, technology and innovation policy reviews is to support countries in developing their science, technology and innovation capacities in order to build their productive capacities and transform their economies. In October, UNCTAD delivered the science, technology and innovation policy review of Rwanda. Sixty science, technology and innovation stakeholders and policy experts, including 10 women, participated in a training session on innovation that was held during a national workshop on science, technology and innovation policy. UNCTAD began work on the science, technology and innovation policy review of Ethiopia and conducted several missions during the reporting period aimed at supporting the development of science, technology and innovation policy.

B. Tackling vulnerabilities of African economies and building their resilience

17. UNCTAD assists African countries in reducing the vulnerability of their economies due to commodity dependence, and in seeking opportunities to increase value addition of their economic activities from commodities, including agricultural goods in the following manner:

(a) Providing research-based policy recommendations: In August, UNCTAD published a report on fishery exports and the economic development of selected least developed countries (Bangladesh, Cambodia, the Comoros, Mozambique, Myanmar and Uganda). The report identified the constraints to the sector's development and provided policy recommendations on how best to overcome them;

(b) Enhancing development linkages in the extractive sector in Central Africa: As part of a project on strengthening the capacity of the Economic Community for Central African States to enhance development linkages from the extractive sector, UNCTAD completed the two-year implementation of the initiative in Chad and the Republic of the Congo. Online platforms with information on investment opportunities identified through the initiative were also launched;

(c) Improving value addition of cotton by-products in Eastern and Southern Africa: UNCTAD, in collaboration with the Economic Commission for Africa and the Common Market for Eastern and Southern Africa, is implementing a project on such value addition in Uganda, the United Republic of Tanzania, Zambia and Zimbabwe. UNCTAD held national capacity-building workshops in Zimbabwe (September), the United Republic of Tanzania (November) and Zambia (December) and supported countries in implementing their national action plans to develop cotton by-products.

18. UNCTAD helps reduce the exposure of African countries to debt by providing them with targeted technical advisory services on debt management through the technical assistance programme, the Debt Management and Financial Analysis System, also known by its acronym, DMFAS. This UNCTAD programme provides support to developing and least developed countries to strengthen their capacity to manage debt in an effective and sustainable way, in support of poverty reduction, development and good governance. The programme provides support to 22 African countries to strengthen their capacity to manage their debt. During the reporting period, the programme lent support to the Sudan in developing its national debt statistics and portfolio reviews, and to Angola, Togo and Zimbabwe in developing debt data validation calendars. In November, 25 African delegations and 4 international organizations based in Africa attended the eleventh Debt Management Conference of UNCTAD, which focused on external and domestic debt, debt management and public finance.

19. UNCTAD is implementing a project on the regulatory and institutional framework of sovereign debt governance aimed at improving policymakers' capacity in this area in five least developed countries, two of which are in Africa (Togo and Mauritania). During the aforementioned Debt Management Conference, meetings were held with representatives from Togo and Mauritania to discuss possible venues for a study tour. In February 2018, a study tour was conducted in Morocco, and debt managers were briefed on the institutional and regulatory framework governing debt management in that country.

20. In November, UNCTAD held the first session of the Intergovernmental Group of Experts on Financing for Development, which among other things, discussed illicit financial flows – a topic that is of particular interest to a number of African countries. The policy recommendations emphasized donor countries' role in the achievement of internationally agreed targets on official development assistance, and in assisting developing countries in combatting crime, corruption and tax-related illicit financial flows.

21. During the reporting period, UNCTAD in partnership with the Macroeconomic and Financial Management Institute of Eastern and Southern Africa, held a 10-day regional workshop aimed at strengthening the ability of countries to carry out systematic debt data validation on their debt databases. UNCTAD, in partnership with the World Bank, participated in Debt Management Facility missions to Benin, Djibouti, Madagascar, Uganda and Zambia. In addition, as part of ongoing collaboration with partners, the Debt Management and Financial Analysis System worked with the European Union, the United Nations Development Programme and the African Development Bank in the implementation of technical assistance projects in Africa.

22. The *Trade and Development Report 2017: Beyond Austerity – Towards a Global New Deal* provides advice to African countries on how to deal with the vulnerabilities posed by globalization and the international financial system. The report argues that, with the appropriate combination of resources, policies and reforms, the international community has the tools to galvanize investment in order to achieve the Sustainable Development Goals and promote sustainable and inclusive outcomes at global and national levels.

23. UNCTAD supports African economies in vulnerable categories, such as the least developed countries and landlocked developing countries, to overcome the sources of their vulnerabilities and build resilience to shocks in various ways:

(a) Enhancing fishing exports: In October, UNCTAD held a regional workshop in Mozambique for policymakers and fisheries practitioners from African least developed countries. The workshop was part of a project on building the capacities of selected least developed countries to upgrade and diversify their fish exports. As a result of the workshop, 83 fisheries experts, including 35 women, from the Comoros, Djibouti, Mauritius, Mozambique and Uganda gained skills in meeting safety and sustainability standards imposed on fisheries imports in major import markets. As part of its ongoing work to develop measurable indices of productive capacities, UNCTAD held a national workshop in Rwanda in April 2018;

(b) Building productive capacities: UNCTAD convened a one-day brainstorming meeting on productive capacities in Geneva with 11 representatives of several United Nations entities,[3] regional organizations such as the Commonwealth Secretariat, and academic institutions.[4] The meeting aimed to enhance the understanding of productive capacities and foster further collaboration on the development of measurable indicators. UNCTAD work on productive capacities was also discussed at a high-level panel as part of the sixty-fourth session of the Trade and Development Board held in Geneva in September, as well as during the Expert Meeting on the Ways and Means of Improving the Implementation of Priority Areas Agreed in the Istanbul Programme of Action, in Geneva in November.

24. UNCTAD provides technical support to African least developed countries to facilitate their graduation from the least developed country category. In that capacity, UNCTAD provided technical and advisory services to the Government of Equatorial Guinea on the challenges of graduation from least developed country status, leading to the country's graduation in July 2017.

[3] Department of Economic and Social Affairs, International Trade Centre, United Nations Development Programme, United Nations Industrial Development Organization.

[4] Botswana Institute for Development Policy Analysis, Kenya Institute for Public Policy and Research Analysis, and University of Canberra.

25. UNCTAD provides policy advice and technical assistance on rules of origin and market access in order to enhance the utilization of trade preferences. As part of ongoing efforts to enhance policymaking skills in the least developed countries and their understanding of operational areas of international economic law and policy, including on duty-free and quota-free access, rules of origin and services waivers, UNCTAD and the European University Institute held an executive training seminar on rules of origin in international trade in May, and a workshop for Geneva-based delegates from the least developed countries in preparation for the next meeting of the Committee on Rules of Origin of the World Trade Organization (WTO) in October. The seminars addressed the analysis and drafting of rules of origin based on the notifications by preference-granting members in compliance with the ministerial decision on preferential rules of origin for least developed countries (tenth WTO Ministerial Conference, Nairobi, 2015). UNCTAD monitored the WTO least developed country group notifications of utilization rates of duty-free and quota-free market access and assisted the group in drafting advisory notes and memoranda on least developed country issues at WTO.

C. Improving competitiveness in African economies

26. UNCTAD supports African countries to improve their competitiveness by helping them enhance the efficiency of their state apparatus and achieve a better distribution of functions between the State and markets. Such support takes place through the creation of new regulatory and legal frameworks, revisions to existing frameworks, their improved enforcement, the conduct of awareness-raising seminars and through the development of toolkits adapted to clients' needs.

27. UNCTAD contributes towards a more efficient functioning of markets and States in Africa through its activities on competition law and competition policymaking on the continent. During the reporting period, UNCTAD conducted several activities related to a project on strengthening competition and consumer protection enforcement capacities in Ethiopia and facilitated the revision of the Trade Competition and Consumer Protection Proclamation in that country. Further, UNCTAD coordinated a study tour for the Trade Competition and Consumer Protection Authority to the Zambia Competition and Consumer Protection Commission in November. In March 2018, Ethiopia launched an integrated market information system designed to provide timely and accurate market information to farmers and consumers.

28. UNCTAD launched a new regional programme on competition and consumer protection policies for Central Africa in Cameroon in November with country representatives of the Economic Community of Central African States in attendance. A four-day regional workshop was held to discuss the revised community competition rules for the Community, and to validate the draft guidelines on consumer protection for the region. Prior to the regional workshop, UNCTAD held consultative workshops with Community member States in June, October and November in Cameroon, the Republic of the Congo, Chad, Gabon and the Central African Republic.

29. The Middle East and North Africa programme for enhancing regional integration of the beneficiary countries of the region held a regional training workshop in December on competition law enforcement for the competition authorities of those countries, which included Algeria, Egypt, Morocco and Tunisia. A study on women's access to economic activities in countries of the region was launched. Regional training workshops to validate guidelines on agency effectiveness, consumer associations and business engagement for consumer protection were held for countries of the Middle East and North Africa region in February and April 2018, respectively.

30. In July 2017, a joint UNCTAD–Japan Fair Trade Commission training workshop on competition investigation techniques for African competition authorities was held in Geneva, with representatives from some countries of the Middle East and North Africa region in attendance.

31. As part of a Development Account project on development policies for sustainable economic growth in Southern Africa, UNCTAD supports regional industrialization in the region, including by identifying policies to support the development of regional value chains. In October, UNCTAD held the first session of the Multi-Year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation in which development challenges and opportunities faced by southern African economies were discussed.

32. UNCTAD provides concrete guidance to African countries on how to harness trade as a tool for economic transformation and improve upon their trade policy regimes, in order to boost their competitiveness in regional and global markets and facilitate their integration into regional and global value chains. UNCTAD provides direct technical assistance to African countries and regional economic communities in the area of non-tariff measures as follows:

(a) Building the capacities of African trade officials in non-tariff measures: Non-tariff measures pose barriers to trade and hinder Africa's potential to contribute to sustainable development through trade. African countries need to identify and address technical barriers to trade in order to leverage trade's potential to contribute to economic development;

(b) Providing ongoing support to African countries on non-tariff measures, including through training aimed at building African policymakers' skills in this area. At the request of the regional economic communities of the Tripartite, composed of the Common Market for Eastern and Southern Africa, the East African Community and the Southern African Development Community, UNCTAD supported the collection of data on comprehensive non-tariff measures as a step towards improving transparency on these measures in 12 pilot countries in Africa. Following the completion of data collection and national validation workshops in Botswana, Malawi, Mauritius, the United Republic of Tanzania, Uganda and Zimbabwe, the data on non-tariff measures was integrated into the non-tariff barriers reporting, monitoring and eliminating mechanism of the Tripartite (www.tradebarriers.org) and the global Trade Analysis and Information System database (trains.unctad.org);

(c) Holding relevant events: During the eleventh session of the WTO Ministerial Conference that was held in December, UNCTAD held events on the multilateral trading system, the fish trade, fisheries subsidies and non-tariff measures that informed the engagement of African countries in the ministerial deliberations and negotiations;

(d) Facilitating trade by means of the Automated System for Customs Data programme (ASYCUDA) of UNCTAD: In 2017, as part of the programme, a series of capacity-building training sessions on the customs automation system were conducted for national customs administrations and revenue authorities. These efforts are aimed at ensuring long-term sustainability of the programme and enhancing the capacity of 27 African countries to increase revenue collection and reduce clearing times and costs. In the second quarter of 2017, the Revenue Authority of Rwanda adopted the ASYCUDA System for Performance Measurement;

(e) Building capacities to enhance trade logistics: UNCTAD, in partnership with the United Nations Development Account, is carrying out a project aimed at building capacities of developing countries to shift towards sustainable freight transport. Project activities included two workshops in February and March 2018 for two East African corridors – the Northern Corridor Transit and Transport Coordination Authority and the Central Corridor Transit Transport Facilitation Agency. UNCTAD is supporting the corridors in identifying, developing and implementing policies to promote and finance sustainable freight transport strategies using the UNCTAD Framework for Sustainable Freight Transport (see https://sft-framework.org/). UNCTAD launched the Framework, a web-based step-by-step methodology, in October;

(f) Building the capacities of African trade officials to mainstream trade policies: UNCTAD conducted workshops in four countries aimed at supporting integration and mainstreaming trade in national development plans. UNCTAD conducted several missions to Benin, Burkina Faso, Mali and the Niger in October and November, during which the national steering committees of the Enhanced Integrated Framework in the four countries validated the project. The project proposal was submitted to the Secretariat of the Framework in early 2018. A national diagnostic trade integration study drafted as part of the project was validated and incorporated into a consolidated document that was submitted in October to the Government of Benin. A pre-validation workshop to finalize the national trade policy of Benin was held in February 2018.

33. UNCTAD assists the least developed countries in mainstreaming trade policies into their development plans under a number of projects developed in this stream of activities. As part of a project on the Enhanced Integrated Framework mainstreaming the diagnostic trade integration study action matrix and building an industrial policy for the Gambia, two advisory missions were carried out jointly with the Government and other stakeholders to define a national trade strategy and a national industry policy. The two documents were validated during a national validation workshop that was held in February 2018.

34. As a follow-up to the first bilateral technical workshop that was held in Djibouti in 2016, a second joint workshop was held in May 2017, with Djibouti and Ethiopian officials to evaluate progress and identify the way forward in the elaboration of a project proposal for joint action and coordination on transit, transport and trade facilitation. UNCTAD, in collaboration with the Ministries of Commerce of Djibouti and Ethiopia, is developing an regional Enhanced Integrated Framework project. The Enhanced Integrated Framework National Steering Committee of Ethiopia has approved the project.

35. UNCTAD supports countries in their efforts to promote traditional products through geographical indications and thus increase their value. In November, UNCTAD supported Benin in capacity-building in geographical indications, and the 24 women producers who attended a workshop to validate the code of practice for the geographical indication of cassava ("Gari Sohoui") that was developed by UNCTAD, reviewed, revised and validated the document, thus ensuring that it reflected their traditional knowledge.

Enterprise development

36. The Empretec Programme of UNCTAD helps SMEs in Africa build competitiveness through an array of targeted interventions, including the promotion of business linkages between SMEs and large firms. During the reporting period, UNCTAD provided assistance to 14 established Empretec centres in Africa through advisory services, policy workshops and seminars based on the tools and proven discussion platforms offered by the Entrepreneurship Policy Framework.

37. UNCTAD strengthened the capacity of Empretec centres in Cameroon, the Gambia, the United Republic of Tanzania and Zambia by undertaking training-of-trainers' sessions. Six trainers received international master trainer certifications. UNCTAD started its collaboration with the Government of Kenya, which joined the Empretec network in July. The Government of Kenya, through the Kenya Institute for Business Training, held a pilot Empretec workshop in Nairobi, followed by a four-day international training-of-trainers workshop that brought together 20 Empretec trainers from African countries.

38. UNCTAD assisted countries in entrepreneurship policy formulation. Six national stakeholders' workshops on entrepreneurship policies took place in Cameroon, the Gambia, and the United Republic of Tanzania. Cameroon finalized a national entrepreneurship strategy; the Gambia launched a national entrepreneurship policy and action plan and the United Republic of Tanzania presented an inclusive national entrepreneurship strategy. In March 2018, UNCTAD, in collaboration with the United Nations Industrial Development Organization, assisted the Government of Ethiopia in developing a national entrepreneurship strategy.

39. Six representatives from five African Empretec national centres attended the twenty-fourth annual meeting of Empretec Directors in Geneva in December 2017. The two-day

meeting provided participants with an opportunity to share their experience and products, to highlight the key achievements of the past year and to discuss strategic and operational issues related to the Empretec programme.

40. In December, UNCTAD and the Rwanda Development Board organized the Africa Entrepreneurship Policy Forum. Some 120 delegates from 20 countries shared their experiences, learned from best practices and explored avenues for strengthened cooperation at the regional and continental levels. African Governments, under the auspices of the New Partnership for Africa's Development and the African Union strategy for micro, small and medium-sized enterprises, identified policies, initiatives and programmes designed to support the development of an enabling entrepreneurial ecosystem.

41. UNCTAD supported selected African countries in identifying business linkage opportunities that link local entrepreneurs with large firms in horticulture, sustainable tourism (in the United Republic of Tanzania) and construction (in Zambia). Over 600 farmers in the United Republic of Tanzania and 200 entrepreneurs in Zambia received assistance. In 2017, 175 Tanzanian farmers were trained through the Empretec and Farming programme as a business methodology, and 60 small-scale suppliers successfully completed an Empretec entrepreneurship training workshop.

Investment and enterprise

42. UNCTAD supports Africa's development through investment and enterprise, including by developing resources to enhance the business environment. African countries benefited from UNCTAD assistance in the area of investment and enterprise in order to build their competitiveness and enhance their attractiveness as destinations for foreign investment and the establishment of businesses. In May, UNCTAD contributed to discussions on and prepared a policy guidance document to assist in the negotiations on an investment chapter for the African Tripartite Free Trade Agreement under negotiation between the Common Market for Eastern and Southern Africa, the East African Community and the Southern African Development Community.

43. Building on the *World Investment Report 2009*, UNCTAD continued to work with other international organizations on operationalizing the UNCTAD Principles for responsible agricultural investment that respects rights, livelihoods and resources. Several African countries benefitted from significant investment inflows in agriculture. In July, UNCTAD, in collaboration with the World Bank, organized a capacity-building workshop for the private sector in South Africa to share experiences and views on large-scale agricultural investments.

44. In September, UNCTAD helped the Malawian Investment and Trade Centre develop a guide on screening prospective agricultural investors through the Inter-Agency Working Group, which is comprised of the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development and the World Bank.

45. The UNCTAD–World Bank Knowledge into Action Notes series, a compendium of practical, thematic guidance documents based on fieldwork carried out in Ghana, Malawi, Mozambique, Uganda and the United Republic of Tanzania, for use by stakeholders in the implementation of responsible agricultural investment principles, was published in March 2018.

Governance and economic efficiency reforms, investment promotion and business facilitation

46. UNCTAD helps improve the competitiveness of African economies by providing them with tools to engage in governance and economic efficiency reforms. For example, several African countries benefited from UNCTAD support in the areas of accounting and reporting.

47. Another UNCTAD tool that provides support to countries is the Business Facilitation eRegulations programme, which assists them in simplifying and automating their rules and procedures on investment and entrepreneurship. The eRegulations system, which is operational in 17 African countries, contributes to increased transparency and greater institutional capacity, thereby facilitating business and making African countries more attractive to foreign investors.

48. During the reporting period, UNCTAD delivered a single-window system in Cameroon to enable enterprises and entrepreneurs to register their businesses online. UNCTAD also supported the development of trade portals that provide information on trade procedures in Benin, Mali, Nigeria and Senegal. The trade portal of Kenya was launched in December 2017.

49. A strong accounting infrastructure that produces high-quality corporate reporting is a critical factor for attracting investment, allocating scarce resources and promoting financial inclusion. During the reporting period, a regional workshop on financial inclusion with a focus on best policy practice and guidelines on accounting and insurance regulation for micro, small and medium-sized enterprises was held in Kenya in July. Over 70 participants from 11 African countries attended the workshop, which highlighted initiatives aimed at supporting such enterprises, including those that engage with vulnerable groups – women entrepreneurs, farmers and business owners at risk due to political instability and natural disasters.

50. African countries played an essential role in presentations and discussions at meetings of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. In November, 30 African countries participated in the thirty-fourth session of the Intergovernmental Working Group of Experts, which provided an opportunity to discuss countries' experiences relating to the implementation of the Accounting Development Tool, a capacity-building initiative in accounting and reporting.

51. UNCTAD presents awards to investment promotion agencies for their achievements in promoting investment for sustainable development. In 2017, the Ethiopian Investment Commission and the Board of Investment of Mauritius received the United Nations Awards for Promoting Investment in the Sustainable Development Goals in recognition of their work in spurring private investment in developing countries, thereby boosting economic activity and contributing to their achievement.

52. Senior investment promotion officials from several African countries participated in training events on investment promotion organized by UNCTAD, including in a regional seminar on the preparation and promotion of bankable Sustainable Development Goal projects and the creation of partnerships with outward investment agencies and institutions that was held in Johannesburg in May.

53. UNCTAD, in collaboration with the African, Caribbean and Pacific Group of States, developed the Guiding Principles for the African, Caribbean and Pacific Group of States Countries' Investment Policymaking (ACP/85/037/17 Rev. 1). The Committee of Ambassadors of the Group approved the principles in May 2017.

54. In October, 20 African countries participated in a high-level international conference on investment agreements in connection with the fifth session of the Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development. During the conference, UNCTAD and the Economic Commission for Africa organized a side event on the Pan-African Investment Code and the investment chapter of the Agreement Establishing the African Continental Free Trade Area.

55. In January 2018, UNCTAD and the Organization of Islamic Cooperation organized a high-level expert meeting on investment facilitation in Africa in Casablanca, Morocco. A set of proposed guiding principles for investment policymaking for the 57 countries of the organization – 28 of which are African countries – was discussed during the meeting.

56. UNCTAD conducted international investment agreement reviews in Botswana (June), Algeria (July), Libya (August) and Burkina Faso (December). UNCTAD also provided in-depth advisory services during a meeting of the African Union Continental Task Force in Libreville in July.

57. Investment promotion officials from Africa participated in a training course on the essentials of foreign direct investment held by the World Association of Investment Promotion Agencies in Istanbul in January 2018.

58. UNCTAD, in collaboration with the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, organized a dialogue on investment promotion priorities in the least developed countries. African least developed countries presented their countries' needs in building capacity to promote investment. Following the dialogue, UNCTAD hosted the first meeting of the United Nations Inter-Agency Technical Committee on investment promotion for the least developed countries and published an issues note that discussed trends and key issues relating to foreign direct investment in those countries.

59. UNCTAD authored several publications on investment promotion and facilitation, including an issue of the *Investment Promotion Agency Observer*, entitled "Investment facilitation: The perfect match for investment promotion", which presents examples of tools and techniques in the global action menu for investment facilitation and other policy instruments and how they can be deployed.

60. The Smart Promotion Network monthly newsflash, which presents the latest information on trends in foreign direct investment, investment promotion strategies and practice, upcoming events and publications of interest to investment promotion professionals and policymakers, was disseminated to 2,149 subscribers, including 399 in Africa.

61. The UNCTAD flagship publication on investment, the World Investment Report 2017, analysed the impact of digitalization on international production and its implications for investment. According to the report, investment should be a central consideration in digital development strategies – an aspect that is often neglected. The report provided a comprehensive analysis of trends in foreign direct investment in Africa and a subregional analysis on investment, noting that flows of foreign direct investment ($59 billion) to Africa had declined by 3 per cent in 2016, compared with the previous year.

62. UNCTAD enhanced the capacities of African member States to collect data on foreign direct investment and of foreign affiliates and provided technical assistance to the Common Market for Eastern and Southern Africa in preparation for the Common Market for Eastern and Southern Africa Investment Report. In October, UNCTAD led an ad hoc expert group meeting organized by the Economic Commission for Africa in Ethiopia that explored policy options for boosting intra-African investment through the regional harmonization of investment policies and treaties.

Intellectual property

63. UNCTAD provides support to countries in the areas of intellectual property and innovation. With regard to capacity-building support for intellectual property in Africa, UNCTAD provided substantive inputs to the draft national intellectual property policy of South Africa and prepared a human rights analysis of the policy in cooperation with the United Nations Development Programme and the Office of the High Commissioner for Human Rights.

64. In November, UNCTAD held a training session in Ethiopia for research directors on innovation, intellectual property and technology transfer in the agricultural sector. In March 2018, UNCTAD, in collaboration with the Ministry of Industry of Ethiopia and the World Health Organization, held a high-level discussion on patent law reform in that country to support the local production of innovative pharmaceutical products.

65. UNCTAD prepared an issues paper to assist partner States of the Tripartite with respect to the planned Tripartite Free Trade Area in their efforts to develop an intellectual property rights regime and facilitate discussions among negotiators.

Sustainable Stock Exchanges initiative

66. UNCTAD supports the Sustainable Stock Exchanges initiative to promote improved environmental, social and governance disclosure and performance. The initiative seeks to leverage the potential of stock exchanges to improve corporate reporting practices and transparency among listed companies in the area of environmental, social and corporate governance issues. During the reporting period, membership of the initiative grew to 68 exchanges. Exchanges in Benin, Botswana, Egypt, Kenya, Mauritius, Namibia, Nigeria, Rwanda, South Africa, the United Republic of Tanzania, Tunisia, Zimbabwe and the West African Regional Securities Exchange benefited from engagement with the initiative on green finance and gender equality through webinars and the dissemination of guidance documents. Partnerships were formed to raise gender equality awareness with exchanges in Kenya, Nigeria, Rwanda, South Africa and the West African Regional Securities Exchange at the 2017 Ring the Bell for Gender Equality event held by the Sustainable Stock Exchanges initiative. Botswana, Kenya, Morocco, South Africa and the West African Regional Securities Exchange received support on green finance, and the Moroccan Capital Market Authority and the Johannesburg Stock Exchange received technical assistance during a technical workshop of the initiative in September.

Information and communications technologies for development

67. UNCTAD helps African countries to develop a favourable environment to benefit from opportunities created by ICTs, and to use the technologies to promote trade competitiveness through e-commerce.

68. UNCTAD supports African countries in their efforts to create an enabling environment and benefit from opportunities created by ICTs. During the reporting period, UNCTAD published the *B2C [Business-to-Consumer] E-commerce Index 2017*, which is aimed at supporting countries by benchmarking their readiness for engaging in e-commerce and identifying relative strengths and weaknesses in e-commerce processes. Africa ranks below the world average in Internet use, availability of secure servers, account indicators (for payments) and postal reliability. However, while credit card use in Africa is lagging, mobile money has become a popular payment method.

69. A multi-stakeholder initiative, e-Trade for all, was launched in 2016 to support developing countries in their efforts to engage in and benefit from e-commerce. Since its establishment in April 2017, etradeforall.org – an online knowledge-sharing and information platform – has received 2,000 monthly visitors on average, 50 per cent of which are from developing countries.

70. The UNCTAD Global Cyberlaw Tracker (unctad.org/cyberlawtracker) is the first global mapping of cyberlaws that tracks the state of e-commerce legislation on electronic transactions, consumer protection, data protection/privacy and cybercrime in the 194 member States of UNCTAD. Some 52 African countries have adopted e-transaction laws, 33 have adopted laws to protect consumers online, 50 have adopted laws on cybercrime and 43, on data protection.

71. The Intergovernmental Group of Experts on E-commerce and the Digital Economy, provides a platform for UNCTAD member States and other stakeholders to discuss policy-relevant topics in e-commerce and the digital economy and address associated challenges. UNCTAD held the first session of the Intergovernmental Group of Experts in October 2017, with approximately 250 participants from more than 70 member States, 25 of which were from Africa. The Intergovernmental Group of Experts adopted UNCTAD policy recommendations on eTrade for all, rapid eTrade readiness assessments and the Global Cyberlaw Tracker. In April 2018, the Intergovernmental Group of Experts held its second session, which discussed how to foster development gains from domestic and cross-border e-commerce in developing countries.

72. As part of ongoing efforts to support regions in developing a conducive legal environment and ensure security online and in electronic interactions between enterprises, citizens and public authorities, UNCTAD surveyed government representatives in 38 countries, including in Africa. In collaboration with the World Bank, the Ministry of Commerce, the Ministry of Justice, the Chamber of Commerce and the

Committee for E-commerce Development of Madagascar, UNCTAD delivered a training session on e-commerce best practices for Madagascar in October and November. More than 100 Malagasy participants from the judiciary, the Government and the private sector attended the session, which focused on the importance of building trust online and increasing the understanding of relevant e-commerce issues among stakeholders.

73. In action to facilitate the implementation in Madagascar of e-commerce legislation that had been adopted in 2014, UNCTAD delivered a capacity-building workshop in that country for magistrates (February 2018).

D. Making multilateralism work for African economies

74. UNCTAD plays a critical role in supporting African countries in making progress in negotiations on the African Continental Free Trade Area and the Tripartite Free Trade Area.

Support for the African Continental Free Trade Area

75. As part of its ongoing support to African countries in the negotiations, UNCTAD took part in an event held by the New Partnership for Africa's Development on the African Continental Free Trade Area in connection with Africa Industrialization Day (New York, United States of America) in November and disseminated analytical reviews of a plan for infrastructure development of Africa proposed by the Partnership.

76. UNCTAD participated in a series of meetings on gender and trade issues. In October, UNCTAD attended the annual Continental Workshop on Trade and Gender of the Economic Commission for Africa in Addis Ababa. The workshop focused on the importance of gender for trade and development in the context of the African Union's Agenda 2063, the 2030 Agenda for Sustainable Development and the African Continental Free Trade Area. The workshop provided a platform to share experiences on trade policies that incorporate gender considerations and explored policy options on how regional integration processes in Africa could more effectively support member States in formulating and implementing gender-responsive trade policies, including in the context of the African Continental Free Trade Area.

77. As part of its efforts in support of regional integration, UNCTAD provided technical inputs for the second phase of the Tripartite Free Trade Area negotiations on possible options for engagement in light of the establishment of the African Continental Free Trade Area and other development considerations.

Support for multilateral trade negotiations

78. UNCTAD provides support to African countries to enhance their participation in WTO negotiations and to countries seeking to join the organization. Several African countries remain outside WTO and are at various stages of accession. In an effort to enhance their participation in accession negotiations, UNCTAD lent advisory support trade policy and negotiation capacities to Algeria, Comoros and the Sudan.

79. Further, UNCTAD helped Cabo Verde, Liberia and Seychelles meet the challenges of implementing WTO commitments and legal reform.

80. UNCTAD assisted African countries in ongoing WTO Doha Round negotiations and in their preparations for the eleventh session of the WTO Ministerial Conference that was held in Buenos Aires in December. In the lead-up to the Conference, UNCTAD held a retreat of the African Group's Ambassadors and Experts in July and provided support on key issues for negotiation, including on the Doha Round. During the Conference, UNCTAD held events on the multilateral trading system, fish trade and fisheries subsidies and non-tariff measures that informed African countries' engagement in the deliberations and negotiations of the Conference.

81. UNCTAD helped promote pharmaceutical manufacturing by providing substantive inputs to the draft regional pharmaceutical manufacturing plan of action (2017–2027) of the East African Community. This instrument aims to ensure policy coherence in the development of the pharmaceutical sector and access to medicines.

82. Further, UNCTAD in collaboration with the European University Institute, conducted a joint study that explored the institutional aspects of the Agreement on Trade Facilitation in West Africa.

E. Empowering Africans and investing in their future

83. UNCTAD contributes towards women's empowerment and gender equality in Africa by highlighting the gender ramifications of African macroeconomic policies and illustrating the social, structural, and cultural constraints that create or perpetuate gender inequality in Africa in sectors that have been or can promote dynamism through trade. UNCTAD also undertakes advocacy work aimed at raising awareness of issues related to trade and gender.

84. In its work on trade and gender research and policy analysis, UNCTAD developed an additional training package and tailored courses for the Common Market for Eastern and Southern Africa. Fifty participants successfully completed an online course on trade and gender conducted by UNCTAD in May–July 2017. UNCTAD is developing a second regional course for the East African Community that is designed to support participants in interpreting critical data on women's participation and gender inequalities in different economic sectors in partner States of the Community. An online course for Community stakeholders was delivered in April and May 2018.

85. UNCTAD, in partnership with Trade Mark East Africa, finalized a report on East African Community regional integration with a focus on trade and gender implications. The report examined the factors facilitating or impeding women's participation in trade in the East Africa region and provided recommendations on how to make East African Community regional integration beneficial for women. The report was published in February 2018 and formally launched in April.

86. As part of a project on informal cross-border trade for the empowerment of women, economic development and regional integration in Eastern and Southern Africa, launched in Malawi, the United Republic of Tanzania and Zambia in March 2016, UNCTAD completed the first draft of the project report in October. It explored how to address the complexity and opacity of trade barriers to informal cross-border trade and to mainstream gender in the design and implementation of supply-side services that support cross-border trade flows. UNCTAD conducted fact-finding missions in Malawi, the United Republic of Tanzania and Zambia in October 2017 to discuss the status of project implementation, and to hold consultations on informal cross-border trade and existing measures to facilitate the formalization of small-scale trade.

87. In December, UNCTAD participated in an event in Johannesburg on the challenges posed by regional integration, trade facilitation and gender equity in Africa. Opportunities for gender-sensitive integration and development were identified, along with barriers to regional trade facilitation efforts, including the role of Aid for Trade and gender equity challenges in regional integration efforts across Africa.

Youth entrepreneurship

88. UNCTAD provides technical support aimed at building the capacities of young people to start and operate their own enterprises. Youth entrepreneurship is an area of focus for UNCTAD. In collaboration with the Government of Rwanda and the United Nations Development Programme, UNCTAD convened a continent-wide youth entrepreneurship forum – Youth Connekt Africa – in Rwanda in July. The Summit provided African youth with an opportunity to interact with continental leaders and the Special Adviser to UNCTAD on Youth Entrepreneurship and Small Business and Chief Executive Officer of

Alibaba. Following the event, a select group of African young entrepreneurs participated in a skills-upgrading session on the digital economy at the Alibaba Business School in China.

Virtual Institute

89. UNCTAD continues to empower African researchers and academics in improving the quality of their teaching, learning and research. One of its main channels is the Virtual Institute. The Institute continued to pay special attention to strengthening trade and development-related teaching and research at academic institutions in Africa. In 2017, the Institute offered a one-week workshop on econometric tools for analysis of commodities to the University of Burundi in Bujumbura and provided support on the adaptation of Virtual Institute training materials on trade in commodities. The Institute also offered two online courses on trade and gender, and structural transformation and industrial policy, which elicited the interest of many African students and researchers.

F. General impact assessment

90. UNCTAD activities, which cut across the three pillars of research and policy analysis, consensus-building and technical assistance, contribute directly to Africa's development in five major areas: supporting the economic transformation of African economies, building the resilience of African economies to vulnerabilities, improving their competitiveness, enhancing their abilities to benefit from the multilateral system, and empowering Africans and investing in their future.

91. In terms of research and policy analysis, UNCTAD provides evidence-based strategic policy recommendations to African countries in the five above-mentioned areas of work. In 2017, research and policy-analysis products included several flagship reports, in particular the Economic Development in Africa Report 2017 on tourism, The Least Developed Countries Report 2017 on energy access and national policy reviews on investment, ICT, the green economy, services, and science, technology and innovation undertaken in several countries. Other research products included papers on a wide range of issues of relevance to African development, such as migration and entrepreneurship, fish exports and services, and analysis on intra-African trade and the African Continental Free Trade Area.

92. UNCTAD consensus-building activities raise awareness on a range of issues of relevance to African countries and contribute towards the sharing of lessons learned and best practices among African member States, and between them and other regions. Notable events held in 2017 included a high-level conference on international investment agreements in which UNCTAD and the Economic Commission for Africa held a side event on the Pan-African Investment Code and the investment chapter of the Agreement Establishing the African Continental Free Trade Area and a continent-wide youth entrepreneurship forum – Youth Connekt Africa – that took place in Rwanda.

93. The Debt Management and Financial Analysis System and ASYCUDA, two leading technical assistance projects of UNCTAD, continue to impact on the region's ability to mobilize customs revenues, improve on customs efficiency and manage debt sustainably.

94. With regard to financial resources committed to Africa in 2017, total expenditure on national, regional and interregional projects in support of Africa stood at $15,887,439 (40 per cent of total expenditure), compared with $17,157,560 (44 per cent of total expenditure) in 2016; $14,583,363 (40 per cent of total expenditure) in 2015; and $10,425,656 (27.5 per cent of total expenditure) in 2014.

United Nations TD/B/65(2)/3

United Nations Conference on Trade and Development

Distr.: General
23 July 2018

Original: English

Trade and Development Board
Sixty-fifth session, part II
Geneva, 1–4 October 2018
Item 6 of the provisional agenda
Report on UNCTAD assistance to the Palestinian people

Report on UNCTAD assistance to the Palestinian people: Developments in the economy of the Occupied Palestinian Territory*

Note by the UNCTAD secretariat**

Executive summary

Economic prospects are bleak due to risky political horizons and unfavourable trends in aid, Gaza's reconstruction and credit-financed expansion in consumption. Real per capita income in the Occupied Palestinian Territory declined in 2017. The customs union of the Paris Protocol is a major obstacle for Palestinian development. Eliminating the budget deficit altogether would not restore the trade balance and could be self-defeating on fiscal grounds. The Occupied Palestinian Territory has the highest unemployment rate in the world, and women and youth are disproportionately impacted by the joblessness crisis. Construction of illegal Israeli settlements and annexation of Palestinian land accelerated. Gaza continues to slide on a path of de-development as a grave humanitarian crisis deepens. A severe electricity crisis restricts the supply to households sometimes to as little as two hours per day and cripples delivery of basic services. Despite the call by UNCTAD to promote development in the Occupied Palestinian Territory, donor support declined as occupation entrenches itself further. UNCTAD continues to respond to the complex needs of the Palestinian economy. However, securing resources is critically important for UNCTAD to enhance its assistance to the Palestinian people and implement paragraph 55 (dd) of the Nairobi Maafikiano and General Assembly resolutions that request UNCTAD to assess and report on the economic cost of the Israeli occupation for the Palestinian people.

* The designations employed, maps and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the United Nations Secretariat concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delineation of its frontiers or boundaries. In accordance with the relevant resolutions and decisions of the General Assembly and Security Council, references to the Occupied Palestinian Territory or territories pertain to the Gaza Strip and the West Bank, including East Jerusalem. Use of the term "Palestine" refers to the Palestine Liberation Organization, which established the Palestinian National Authority (PNA). References to the "State of Palestine" are consistent with the vision expressed in Security Council resolution 1397 (2002) and General Assembly resolution 67/19 (2012).

** This report should not be quoted by the press before 12 September 2018, 5 p.m. GMT.

GE.18-12162(E)

1812162

Please recycle

I. Anaemic growth and the highest unemployment in the world

1. The constrained economy of the Occupied Palestinian Territory continued to underperform in 2017. From a low baseline, gross domestic product (GDP) grew by 3 per cent, implying further decline in per capita income. GDP grew by 4 per cent in the West Bank but contracted in Gaza by 0.3 per cent, implying a 4 per cent drop in GDP per capita in the ravaged Strip. The economy has been driven by construction, wholesale and retail trade, and services. Agriculture contracted by 11 per cent.

2. Poor economic performance is caused by restrictive measures imposed by the occupying Power. World Bank (2017) conservative estimates indicate that removing Israeli restrictions could increase annual GDP growth up to 10 per cent. In Gaza, lifting the economic siege could generate additional cumulative growth in the range of 32 per cent by 2025. Some relaxation of the dual-use list alone could generate additional growth of 6 per cent in the West Bank and 11 per cent in Gaza by 2025. On the other hand, persistence of the status quo means that growth will not significantly exceed 3 per cent, combined with a steady decline in per capita income and extremely high unemployment rates.

3. Investment is not only forestalled by existing restrictions, but also by the possibility of tightening them or introducing new ones. In such a volatile, high-risk environment, few investors will commit large amounts of capital to manufacturing or other sectors that are sensitive to Israeli restrictions. Investment that survive is thus channelled towards small, service-oriented microenterprises and small enterprises characterized by weak capacity for employment-generation, low productivity, lack of technological dynamism and little scope for expansion. These dynamics mean that 90 per cent of total establishments in the Occupied Palestinian Territory are small firms, with less than four employees, while only 1 per cent of establishments employ more than 20 workers.

4. Economic prospects are bleak due to negative political horizons and unfavourable trends in the three main factors that supported economic growth in recent years: donor support; reconstruction in Gaza; and credit expansion for public and private consumption. Prospects are further clouded by the acceleration of confiscation of land and productive resources and unfavourable regional dynamics in the Middle East.

A. Expanding occupation and declining donor support

5. The Government of the State of Palestine continued its fiscal reforms under extremely unfavourable politico-economic conditions. Longstanding efforts for controlling expenditure and enhancing revenues were maintained, and the Government succeeded in bringing down its deficit from 27 per cent of GDP in 2006, to 8 per cent in 2016 and 2017 (table 1).

6. In 2017, net revenue declined, though this reflects only a high 2016 baseline created by one-off receipts.[1] If one-off payments are excluded, 2017 revenue would have increased by 8 per cent, while total expenditure (including development) would have declined to 33 per cent of GDP, down from 35 per cent in 2016.

7. The administrative separation of Gaza from the West Bank compounded a governance crisis, fragmented the Occupied Palestinian Territory and undermined the delivery of public services. Gaza, under an economic siege since 2007, continues to be a source of fiscal pressure. It has been contributing less than 10 per cent of public revenue while absorbing 30–40 per cent of total expenditure. As an illustration, in 2016 public revenue raised in Gaza was around $300 million while its spending reached $1.5 billion. In the same year, the West Bank budget registered a small surplus and, in 2017, was nearly

[1] Telecommunications licensing fees of $145 million and two payments, totalling $300 million made by Israel to partially compensate for leaked fiscal resources related to health stamps, equalization levies, border exit fees and value added tax (UNCTAD (2017b)).

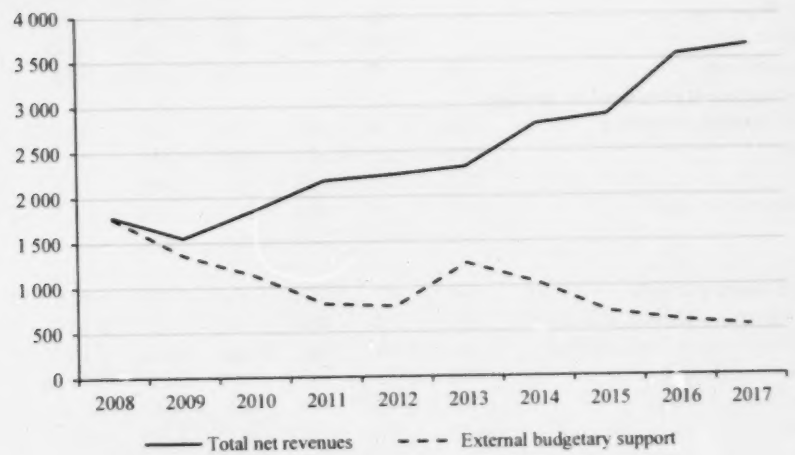
balanced. In other words, the overall State of Palestine budget would have been balanced if it were not for the situation in Gaza and the prolonged economic siege.

B. The international community should promote development in the Occupied Palestinian Territory

8. UNCTAD (2018) elaborates on how half a century of occupation and appropriation of land and resources has impoverished the Palestinian people and denied them the right to development. It maintains that both Israel and the international community have responsibility under international law to avoid actions that impede development and to take affirmative steps to foster development in the Occupied Palestinian Territory.

9. There has been a longstanding consensus that sustainable development in the Occupied Palestinian Territory requires three pillars: (a) Israel needs to ease restrictions on the Palestinian economy; (b) donors need to remain engaged and enhance the scope and quality of aid; and (c) the Government of the State of Palestine needs to implement reforms to facilitate growth. However, regarding these three prerequisites for development, Israel has failed to ease restrictions and the record of donors has been spotty. The State of Palestine has made significant efforts to facilitate growth.

Figure 1
Palestinian public revenues and budget support
(Millions of dollars)



Source: Palestinian Central Bureau of Statistics (PCBS).

10. Despite the call by UNCTAD on the international community to shoulder its responsibility to promote development in the Occupied Palestinian Territory, the downward trend in donor support continued; successful bold fiscal reform efforts of the State of Palestine were not matched by positive donor engagement (figure 1). In 2017, budget support from donors dropped by 10.5 per cent from the 2016 level. Total international support was $720 million, only one third of the $2 billion in 2008. For the same period, budget support shrank from $1.8 billion to $544 million, a 70 per cent decrease. The worsening weight of occupation, cuts in foreign aid and collapsing fiscal space hinder the ability of the State of Palestine to carry on with State-building efforts and the essential tasks of governance, including provision of vital public services.

11. Echoing UNCTAD reports and studies, the United Nations (2018) indicates Palestinian fiscal resources, in the range of $300 million per year, continue to be leaked to Israel because of the arrangement whereby the Government of Israel collect taxes on Palestinian international trade on behalf of the Palestinian Government and then transfers the revenue from such taxes. Even within the imbalanced framework of the Paris Protocol,

the Government of the State of Palestine outlined a number measures that could reduce ongoing leakage of Palestinian revenues to the Israeli treasury.

Table 1
Economy of the Occupied Palestinian Territory: Key indicators

	1995	*1999*	*2002*	*2006*	*2010*	*2015*	*2016*	*2017**
Macroeconomic performance								
Real gross domestic product growth (percentage)	7.1	8.3	-12.5	-3.9	8.1	3.4	4.7	3.1
Gross domestic product, nominal (millions of dollars)	3 283	4 271	3 556	4 910	8 913	12 673	13 426	14 498
Gross national income (millions of dollars)	3 723	5 025	3 775	5 333	9 512	14 385	15 322	16 490
Gross national disposable income (millions of dollars)	4 122	5 398	4 826	6 624	11 503	15 807	16 731	18 309
Gross domestic product per capita, nominal (dollars)	1 427	1 553	1 182	1 449	2 339	2 864	2 957	3 097
Gross national income per capita, nominal (dollars)	1 618	1 827	1 255	1 573	2 496	3 251	3 375	3 522
Real gross domestic product per capita growth (percentage)	-0.2	4.8	-15.0	-6.8	5.0	0.4	2.1	0.0
Real gross national income per capita growth (percentage)	0.7	4.6	-16.4	-5.0	2.2	2.0	1.4	-1.0
Population and labour								
Population (millions)[a]	2.34	2.96	3.23	3.61	4.05	4.68	4.82	4.78
Unemployment (percentage)	18.2	12.0	31.2	23.7	23.7	25.9	26.9	27.4
Total employment (thousands)	417	588	452	636	743	959	978	997
In public sector	51	103	105	147	178	211	211	184
In Israel and settlements	68	135	42	55	78	112	116	131
Fiscal balance (percentage of gross domestic product)								
Revenue net of arrears/clearance withheld	13.0	23.4	8.2	25.0	21.6	22.2	26.6	25.2
Current expenditure	15.0	22.1	28.0	46.4	34.5	31.7	32.2	30.6
Total expenditure	25.1	29.3	34.2	52.1	39.6	33.5	34.7	33.1
Overall balance (commitment basis)	-12.1	-5.9	-26.0	-27.1	-17.9	-11.3	-8.1	-7.9
Public debt[b]	---	20.0	21.1	22.2	21.1	20.0	18.5	17.5
External trade								
Net current transfers (millions of dollars)	400	373	1 051	1 291	1 991	1 421	1 409	1 819
Exports of goods and services (millions of dollars)	562	752	478	736	1 367	2 338	2 381	2 693
Imports of goods and services (millions of dollars)	2 441	3 364	2 234	3 683	5 264	7 538	7 627	8 067
Trade balance (millions of dollars)	-1 879	-2 612	-1 756	-2 947	-3 897	-5 200	-5 246	-5 374
Trade balance (percentage of GDP)	-57.2	-61.2	-49.4	-60.0	-43.7	-41.0	-39.1	-37.1
Trade balance with Israel (millions of dollars)	-922	-1 598	-886	-1 887	-2 737	-2 916	-2 622	-2 887
Trade balance with Israel (percentage of gross domestic product)	-28.1	-37.4	-24.9	-38.4	-30.7	-23.0	-19.5	-19.9
PNA trade with Israel/total PNA trade (percentage)[c]	83.5	67.5	56.9	64.4	66.6	62.1	60.0	59.8
PNA trade with Israel/total Israeli trade (percentage)[c]	4.2	3.8	1.9	2.2	2.7	3.6	3.4	3.4

Sources: PCBS, Palestinian Ministry of Finance and Palestinian Monetary Authority. Israeli trade data are obtained from the Israel Central Bureau of Statistics.

* Preliminary estimates.

[a] Except for the population figures, all data exclude East Jerusalem, due to the fact that PCBS has no access to the city.

[b] Public debt includes domestic and external debt but not arrears and Palestinian National Authority (PNA) debt to the pension fund.

[c] Israeli and Palestinian trade data refer to goods and non-factor and factor services.

C. A flawed, unequal, harmful to development customs union

12. The Palestinian economic policy framework is shaped by the customs union established in 1967 and later formalized by the Paris Protocol in 1994 whereby free trade prevails between Israel and the Occupied Palestinian Territory and the two economies share the same external tariffs on trade with the rest of the world. The negative consequence of the customs union for the Palestinian economy cannot be overstated. Its problems are four-fold:

(a) A well-functioning customs union requires members to be at comparable levels of development. A customs union between two entities at vastly different levels of economic development does not bode well for the weaker side. An occupied, underdeveloped economy has much to lose from a customs union with an economy at the level of the Organization for Economic Cooperation and Development, even under conditions of cooperation and goodwill.

(b) A beneficial customs union requires high level of cooperation that guarantees the interest of all members in border management, terms of trade with the rest of the world, negotiation of trade agreements, tariffs policy and revenue sharing. In the Occupied Palestinian Territory, the terms of the customs union are set unilaterally by Israel without regard to the vastly different needs of the Palestinian economy.

(c) The application by Israel of the terms of the customs union is selective.

(d) The restrictions Israel imposes on the movement of Palestinian people and goods pre-empt investment and inflate costs, and thus remove the international competitiveness of the Palestinian economy, rendering the Occupied Palestinian Territory an import-dependent, captive market, mainly for Israeli products.

13. Under the rubric of the customs union, the Occupied Palestinian Territory developed a large, persistent trade deficit rooted in an underdeveloped export sector and weak capacity of domestic producers of exportable and importable goods to compete in domestic and global markets. In 2017, Palestinian exports were 19 per cent of GDP, while imports were 56 per cent; the trade deficit was 37 per cent of GDP, among the highest in the world. Israel accounted for 54 per cent of the Palestinian trade deficit, as trade with Israel accounted for 60 per cent of total Palestinian trade (table 1). This massive deficit was financed by incomes of Palestinians workers in Israel and settlements, remittances of expatriate workers and foreign aid.

D. Mobility restrictions foster poverty and political instability

14. Over the years, Israel established a complex matrix of controls over the Palestinian economy featuring a permit system, roadblocks, earth mounds, trenches, road checkpoints, road gates and the Separation Barrier. These restrictions choke trade and investment by inflating costs and undermining competitiveness. For the same transaction, Palestinian importers pay three times the cost paid by Israeli importers, while Palestinian exporters pay twice the cost paid by Israeli exporters (World Bank, 2017). Furthermore, Arnon and Bamya (2015) find that restrictions and trade barriers resulted in a 34–45 per cent productivity decline in the agricultural sector.

15. Another major constraint on productive activities is the dual-use list of civilian goods, which Israel does not allow Palestinians to import because they have potential military application. The list includes civilian machinery, spare parts, fertilizers, chemicals, medical equipment, appliances, telecommunication equipment, metal, chemicals, steel pipes, milling machines, optical equipment and navigation aids. This list is far larger than internationally recognized dual-use material (World Bank, 2018). The effects of this ban ripple through all sectors of the economy.

16. The ban forces producers to either quit or use costly inputs and technologies that are outdated and less efficient; with obvious consequences for competitiveness and profitability. The firms that could continue operation are pressured to reduce wages to compensate for the ensuing higher cost and lower productivity. Amodio et al. (2017)

quantify the impact of the dual-use list and conclude that it costs the West Bank 5 per cent of its GDP. They also find that local labour market conditions worsen exceptionally in areas where production and employment are more reliant on inputs banned by dual-use list restrictions. The resulting deterioration in wage and employment reduces the cost of engaging in conflict and therefore heightens political instability.

E. Diversion of Palestinian trade towards unfavourable Israeli markets

17. The restrictions on Palestinian trade establish substantial non-tariff barriers and divert Palestinian trade from competitive world markets to the less favourable Israeli markets at significant cost to Palestinian producers and consumers. Imports of the Occupied Palestinian Territory from Israel are dominated by goods for which Israel does not have a particular comparative advantage in exporting; this means they can be procured at lesser cost from other markets. Even when trading with third countries, Palestinian traders are often forced to access foreign markets through Israeli intermediaries, an arrangement that drains away Palestinian economic resources. The degree of trade diversion is reflected in that, between 1972 and 2017, Israel absorbed 79 per cent of total Palestinian exports and 81 per cent of imports. Trade concentration with Israel, as depicted in figure 2, mirrors the isolation of the Occupied Palestinian Territory from global markets.

Figure 2
Share of Israel in Palestinian international trade
(Percentage)

Source: PCBS and UNCTAD.

18. The depth of captivity can be gauged by the fact that Israel exports as much to the Occupied Palestinian Territory as it does to Cyprus, Egypt, Greece, Jordan and Turkey combined, even though the combined GDP of these countries is more than 100 times the GDP of the Occupied Palestinian Territory (World Bank, 2017). Under normal trading conditions, Israeli exports to the Occupied Palestinian Territory would be a tiny fraction of ongoing levels, and Palestinians would earn more from exports and pay less for imports. There is an urgent need to replace the customs union enshrined in the Paris Protocol with a new framework that endows the State of Palestine with control over its customs territory, borders and trade and industrial policies as a first step for breaking the cycle of de-development.

F. Women and youth disproportionately dispossessed by occupation

19. The Palestinian people suffer from persistent unemployment and poverty crises rooted in their inability to utilize their human and natural productive assets. Reflecting weak GDP growth, unemployment edged up from 26.9 per cent in 2016 to 27.4 per cent in 2017; 18 and 44 per cent in the West Bank and Gaza, respectively. Even though the Occupied Palestinian Territory suffered the highest unemployment rate in the world (International Labour Organization, 2018), the situation would have been much worse, were it not for employment in Israel and settlements, which is problematic, and the low labour force participation rate of 44 per cent, among the lowest in the world.

20. A dearth of jobs in the Occupied Palestinian Territory forces thousands of Palestinian workers to seek employment in Israel and settlements. Dependency on Israel is underscored by the fact that the labour market in Israel and settlements accounts for 20 per cent of employed Palestinians in the West Bank; in 2017, the Palestinian workforce employed there grew by 11.5 per cent. While the expansion of Palestinian employment in Israel and settlements is a windfall for Israeli producers in labour-intensive sectors, it undermines the competitiveness of the Palestinian economy and its export capacity (Bank of Israel, 2014). Furthermore, according to the International Labour Organization (2018), employment in Israel and settlements is beset with hardship, abuse, vulnerability, exploitation and discrimination. Occupational injuries and fatalities at construction sites are among the highest observed in Organization for Economic Cooperation and Development countries.

21. Adverse labour market conditions disproportionately impact women and youth. Half the Palestinian under age 30 are unemployed, and one third of those in the 15–24 age group is considered "not in education, employment or training". The disenfranchisement of women is highlighted by the fact that their labour force participation rate is a meagre 19 per cent compared to 71 per cent for men, even though Palestinian women are well educated by international and regional standards. As indicated by the International Labour Organization (2017; 2018), women are more vulnerable to humiliating security measures enforced at Israeli checkpoints, settler violence and prolonged commutes to work. Moreover, the link between education and employment is weakening as women with bachelor's degrees or higher levels of education, unlike males, suffer higher unemployment rates.

G. Settlement expansion as incremental annexation in the West Bank

22. Security Council resolution 2334 of 23 December 2016 states that the establishment of settlements by Israel in Palestinian land has "no legal validity" and represents a "flagrant violation" under international law and, and recalls the obligation of Israel to stop settlement activity and live up to its obligations under the Fourth Geneva Convention. Furthermore, at its tenth emergency special session on the illegal Israeli actions in Occupied East Jerusalem and the rest of the Occupied Palestinian Territory, the United Nations General Assembly adopted, on 21 December 2017, resolution A/ES-10/19 on the status of Jerusalem. In the resolution, the General Assembly "affirms that any decisions and actions which purport to have altered the character, status or demographic composition of the Holy City of Jerusalem have no legal effect, are null and void and must be rescinded in compliance with relevant resolutions of the Security Council, and in this regard calls upon all States to refrain from the establishment of diplomatic missions in the Holy City of Jerusalem, pursuant to Council resolution 478 (1980)".

23. Despite several United Nations resolutions, construction of illegal settlements accelerated in 2017 and 2018. During the first three quarters of 2017, approval for construction of new housing units reached 10,000, more than double the total for 2016. In early 2018, plans were approved for 5,000 housing units in existing settlements and for the establishment of new settlements (United Nations, 2017a and 2018). Settlement expansion is combined with relentless destruction of Palestinian assets, including electrification projects, schools and residential property. Between 2009 and mid-2017, Israel demolished over 4,000 Palestinian-owned structures and 236 European Union-funded structures in

Area C (Office for the Coordination of Humanitarian Affairs (OCHA), 2017; Dajani and Lovatt, 2017).

24. Concerns about annexation were expressed by United Nations organs such as the International Court of Justice. In 2004, the Court issued an advisory opinion on the legal consequences of the construction of the 712 km-long Separation Barrier. Despite "assurance given by Israel that the construction of the wall does not amount to annexation and that the wall is of a temporary nature", the court expressed concern that "the route of the wall will prejudge the future frontier between Israel and Palestine" and that "Israel may integrate the settlements and their means of access". As such, the Court "considers that the construction of the wall and its associated regime create a 'fait accompli' on the ground that could well become permanent, in which case, and notwithstanding the formal characterization of the wall by Israel, it would be tantamount to de facto annexation". International Court of Justice warnings notwithstanding, annexation continues unabated. Evidence for incremental annexation of large portions of Area C in the West Bank includes that the occupying Power has:

(a) Continuously transferred Israeli population into settlements and forced the Palestinian population out of the area. By 2018, 611,000 Israelis live in 250 settlements in the occupied West Bank, including East Jerusalem, in contravention of international law. Settlers in Area C are the fastest rising demographic group, with a 5 per cent annual population growth, compared with 1.9 per cent in Israel and 2.6 per cent in the West Bank (Office for the Coordination of Humanitarian Affairs, 2017).

(b) Invested more than $19 billion in the construction of settlements and related infrastructure (Dajani and Lovatt, 2017).

(c) Extended its domestic legal jurisdiction to settlers, while Palestinians are subject to different military laws, with narrower rights and safeguards.

(d) Continuously imposed economic, social, political and administrative measures that deepen the integration of settlements into the Israeli State system.

25. Area C continues to be nearly entirely off limits for the Palestinian Government, producers and investors, even though it represents more than 60 per cent of West Bank area and contains the most valuable natural resources. Under the discriminatory planning regime, only 1 per cent of Area C remain available for Palestinians to apply for building permits, with an approval rate of less than 4 per cent (United Nations, 2018). These restrictions force Palestinians to build without permits and suffer the real risk of demolition, eviction, loss of property and displacement.

H. De-development of Gaza accelerates

26. Gaza has remained under Israeli occupation for the past 51 years. Occupation did not end with the unilateral disengagement of Israel in 2005 as, except for a 12 km border with Egypt, Israel retained control over Gaza's land, sea and air borders. Over 2 million people now live under full blockade, confined to a Strip with a surface area of 365 km² and the third-highest population density in the world.

27. The blockade, now in its eleventh year, eviscerated Gaza's economy and productive base and reduced the Strip to a humanitarian case of profound aid-dependency. The past quarter of a century was not only lost but has been one of ongoing de-development. Six years ago, the United Nations (2012) warned that unless ongoing trends were reversed, Gaza would be unfit for human inhabitancy by 2020. Since then, all socioeconomic indicators have worsened. Efforts at revival have been feeble and all interventions necessarily focused on reconstruction and humanitarian relief, leaving few resources for development or resuscitating the productive base.

28. Gaza's productive capacity has been entirely erased by three major military strikes and a crippling air, sea and land blockade. According to the International Monetary Fund (2017) the 2008/09 Israeli military strike wiped out over 60 per cent of Gaza's total capital stock, while the 2014 strike destroyed 85 per cent of what was left of capital stock.

High political uncertainty and restrictions on trade and productive activities continue to forestall new and compensatory investment.

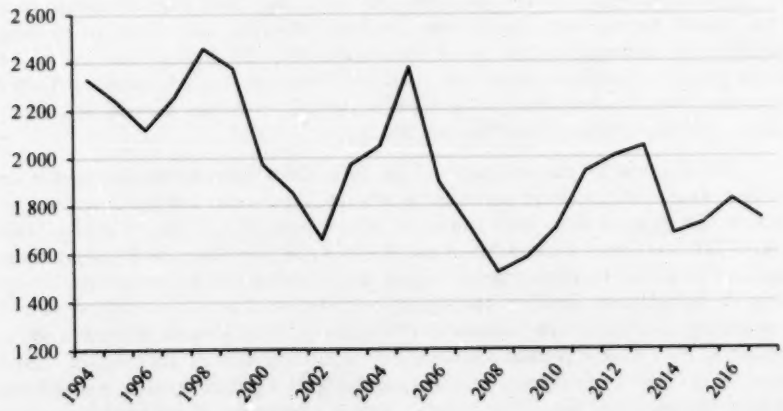
29. The restrictions on economic activities force remaining investment into the construction and services sectors, which have low productivity and low employment and are less dynamic. Construction accounts for a large share of investment, while humanitarian relief and the rebuilding of assets destroyed by Israeli military operations dominate Gaza's economy. On the other hand, since 1994, the contribution of manufacturing and agriculture to Gaza's GDP halved to 8 per cent and 5 per cent, respectively. Growth became increasingly reliant on private and public consumption financed by aid. Since then, consumption accounted for 80 per cent of GDP growth, while net exports contributed only 2 per cent, whereas the contribution of investment was negative, at -6 per cent (World Bank, 2018).

30. The agricultural sector has been constrained by restrictions on importation of essential inputs, fertilizers, chemicals and pesticides. Designated access restricted areas on land near the Israeli border, and at Gaza's sea, deprive producers of up to 35 per cent of agricultural land and 85 per cent of fishing waters. The fishing zone permitted for Gazans varied between 3 and 6 nautical miles instead of the 20 nautical miles stipulated in the Oslo Accords. These restrictions undermine the employment and livelihood of Gaza's 35,000 fishermen and denies the rest of the population a much-needed source of nutrition.

I. Severe energy, water and sewage crises and grave humanitarian conditions

31. Gaza has the third highest population density in the world and may fare worse if the ranking considers the 300- to 1,000-metre restrictions on building along the border with Israel. Since 2012, Gaza's population increased by 300,000, while real GDP per capita declined by 13 per cent to $1,742 in 2017.[2] Today the real income of an average Gazan is about 30 per cent less than in 1999. Furthermore, in 1994 and 2005 Gaza and the West Bank had equal real GDP per capita, today Gaza has 60 per cent of the West Bank's. In other words, the blockade exacts an additional 40 per cent income tax on Gaza's population.

Figure 3
Gaza: real gross domestic product per capita (1994–2017)
(Constant 2015 United States dollars)



Source: PCBS.

[2] At constant 2015 United States dollars.

32. The destruction of the productive base relegated Gaza to poverty and leaves half the population food-insecure, even though 80 per cent of the populace receive social assistance. The enduring pressure and deprivation of basic human, social and economic rights inflict heavy toll on Gaza's psychological, social and cultural fabric as manifested by widespread psychological trauma, post-traumatic stress disorder, desperation, high suicide rates and drug addiction. In 2017, 225,000 children (more than 10 per cent of the population) required psychosocial support (Office for the Coordination of Humanitarian Affairs, 2017).

33. Shortage of electricity is another key economic constraint. Supply covers less than one third of the daily demand of 450–500 megawatts. Despite increasing demand, fuelled by the need for reconstruction, in early 2018, the Gaza power plant covered just 6 per cent of demand as it operated at less than one fifth of its 140-megawatt capacity, given the fuel shortage and lack of imported parts. The need for investing in power generation is underscored by the growing demand for electricity, which could double by 2030 or much earlier, if suppressed productive activities are freed and the economy is allowed normal operation.

34. In early 2018, households received, on average, two hours of electricity per day and shortages continue to seriously impact everyday life by crippling productive activities and impeding delivery of basic services. The shortage endangers the functioning and maintenance of sensitive medical equipment, including heart monitors, incubators and magnetic resonance imaging (Al-Haq, 2017). Producers, health care and other service providers suffer a great deal either by lack of electricity or by being forced to rely on generators at high cost.

35. A dearth of safe drinking water poses serious economic and health challenges. Gaza's coastal aquifer, its sole water source, has been virtually depleted by overextraction and the intrusion of seawater. This leaves only 4 per cent of the groundwater in Gaza fit for human consumption. In 2000, 98 per cent of the people had access to safe drinking water through the public water network, but this dropped to less than 10 per cent by 2014, and the situation has been getting worse since. This forced the population to rely on costlier alternatives such as water containers and bottled water, which now account for 90 per cent of consumption of potable water (United Nations, 2017b). For instance, trucked water is uncontrolled, less safe and is up to 20 times more expensive than water through the network.

J. Recurrent military operations on Gaza, more destruction, no reconstruction

36. After three major military operations since December 2008, Gaza's reconstruction efforts remain far too slow due to the continued blockade and a lack of funding. Restrictions on movement in and out of Gaza worsened in 2017. More than half of the permits granted to business people were cancelled, while the United Nations and other international organizations found it increasingly difficult to deliver material and obtain visas for international staff (United Nations, 2017a).

37. Disbursement of pledges made at the 2014 Cairo International Conference on Palestine: Reconstructing Gaza plateaued at around 53 per cent, and disbursements for reconstruction dropped from $400 million in 2016 to only $55 million in 2017 (World Bank, 2018). The United Nations Relief and Works Agency for Palestine Refugees in the Near East, the second biggest employer in Gaza, faces funding cuts that could significantly worsen the humanitarian situation. The Agency provides social assistance to 80 per cent of the population and operates 267 schools and 21 health facilities. Dwindling donor support, reduction in PNA wage expenditure in Gaza and the funding shortage affecting the United Nations Relief and Works Agency for Palestine Refugees together represent a significant aggregate-demand shock that will deal another blow to an economy already operating under daunting supply constraints.

38. Sustainable economic recovery requires:

(a) Complete lifting of the blockade to allow Gaza's economy full access to freely trade with East Jerusalem, the West Bank and global markets and to restore the human right to free movement for business, medical care, education, recreation and family bonds.

(b) The political, administrative, fiscal, and economic reunification of Gaza with the West Bank. The international community should play a key role and provide sustained political and financial support for the reunification to proceed in ways that help the State of Palestine cope with the fiscal implications of bringing the two regions under a unified governance framework.

(c) Overcoming the electricity crisis, as a matter of priority, by rehabilitant and upgrading Gaza's power plant, securing funds for importing spare parts and fuel and for importing electricity to cover excess demand.

(d) Enabling the State of Palestine to develop the offshore natural gas fields in the Mediterranean discovered since the 1990s.

II. A resource gap imposed by occupation, not twin deficits

39. Occupation distorted the structure of the economy and fostered a huge resource gap, where domestic production is much less than the sum of domestic public and private consumption and investment (domestic absorption), and a huge trade deficit, saving deficit and budget deficit persist. Between 2010 and 2017, these three deficits as a percentage of GDP were -46, -39 and -17, respectively.

40. Despite the importance of all three deficits, analytical and policy attention focused entirely on the smallest of the three, the fiscal deficit, and portrayed it, without evidence, as the main cause of macroeconomic imbalance. Emphasis on the budget deficit is typically based, explicitly or implicitly, on the twin-deficits hypothesis.

41. This hypothesis, derived from the accounting framework of national income accounts,[3] posits that a budget imbalance causes a trade (current account) imbalance, whereby an increase in the budget deficit implies any combination of increase in private savings, a decrease in national investment or a decrease in the current account balance. However, for economies functioning below full employment, such as the economy of the Occupied Palestinian Territory, adjustment to fiscal change may take a different course and the twin-deficits hypothesis does not necessarily hold. It is possible for causality to run in either direction. For instance, a drop in exports, for any reason, adds to a current account deficit, and this may trigger an internal imbalance by affecting tax receipts.

42. The theoretical literature, therefore, does not suggest uniform causality as implied by the two-deficits hypothesis. Therefore, whether or not the budget deficit drives the trade deficit is an empirical question. For instance, for a group of Middle Eastern economies, Hashemzadeh and Wilson (2006) find no uniform empirical relationship between the two deficits, as the relationship is contingent on external and domestic factors such as the tax system, patterns of trade, exchange rate regimes and monetary policy.

43. UNCTAD (2017a) empirically evaluates the twin-deficits hypothesis in the Occupied Palestinian Territory and shows that, during 1968–2018, there is no statistical evidence to support the view that the trade deficit was driven by changes in the budget deficit. The study argues that the two deficits have been cultivated by the economic structure imposed by occupation and the two are both symptoms of a resource gap fostered by an occupation that cultivates dependence on transfers from abroad (donor support and remittances) and forces Palestinian workers to seek employment in Israel and settlements.

[3] For details of mathematical logic, see UNCTAD (2017a).

A. The historical evolution of the Palestinian twin deficits

44. Between 1967 and May 1994, the Palestinian economy was controlled by the Israeli military's Civil Administration. Through this period, tight fiscal policy prevailed, expenditure was not allowed to exceed tax revenue, the budget was always in surplus and public expenditure was low compared with neighbouring countries. For instance, during 1987–1991, the average total expenditure, excluding defence, was 24 per cent of GDP, compared with 37, 31 and 37 per cent in Egypt, Jordan and Israel, respectively.

45. Israel used (and continues) to collect value added tax, fuel tax, purchase tax and customs duties on Palestinian imports, whether they are from Israel or from other countries. However, part of the taxes paid by Palestinians accrued to the Israeli treasury and were not part of the Civil Administration's budget (World Bank, 1993). The prevalence of balanced budgets through this period, combined with the leakage of Palestinian tax revenue to Israel indicates that, during 1967–1994, the Occupied Palestinian Territory operated under a regime of fiscal compression, contractionary fiscal policy and underinvestment in infrastructure.

46. Table 2 depicts the evolution of the deficits and highlights important points. Although the budget was always balanced or in surplus, the trade deficit was large, at around 50 per cent of GDP, and substantial inflows of external income financed the trade deficit. It is important to note that the small budget deficit in 1987–1988 would have been a surplus, had all the tax revenue collected by Israel been handed to the Civil Administration. For the same reason, the surpluses in subsequent periods should have been higher than what is stated in table 2.

Table 2
Two deficits: 1987–1991
(Percentage of gross domestic product)

	1987/88	1988/89	1989/90	1990/91
Budget deficit	-1.0	0.1	0.9	0.0
Trade deficit	-51	-43	-40	-47
External income (factor income plus current transfers)	48	43	40	38
Current account balance	-3.0	0.0	0.0	-9.0
Private savings deficit	-52	-43	-44	-47

Source: UNCTAD secretariat calculations and data in World Bank (1993).

47. During 1994–2017, three subperiods can be distinguished. At its inception, PNA inherited weak fiscal capacity. Tax revenue was low and well below potential, at 10.5 per cent of GDP, less than half of the 23.3 per cent for Jordan, one third of the 31.4 per cent for Israel and about half the average for developing countries. On the spending side, PNA faced the need to make up for historical underinvestment in public services and infrastructure.

48. Despite hard beginnings, PNA put the Palestinian fiscal affairs on solid grounds during its first five years. As shown in table 3, the recurrent deficit during 1995–2000 was a low 2.2 per cent of GDP, and it improved to a surplus of 1.3 per cent in 1999. There was also a reduction in the total budget deficit, from 12.1 per cent of GDP in 1996 to 5.9 per cent in 1999. Recurrent expenditure was financed by tax revenue, while donor aid financed development.

Table 3
Three deficits
(Percentage of gross domestic product)

	1995–2000	2001–2003	2004–2006	2007–2014	2015–2017
Budget deficit					
Recurrent	-2.2	-15	-2.3	-7.3	-6.8
Total	-9.3	-19	-19.2	-16.7	-9.1
Trade deficit	-56	-51	-59	-46	-38
External income: factor income plus current transfers	26	30	29	33	24
Current account balance	-30	-21	-30	-14	13.3
Private savings deficit	-53	-36	-56	-39	-24

Source: UNCTAD calculations based on PCBS and Palestinian Ministry of Finance data.

49. However, in the aftermath of the second intifada in 2000, a chronic fiscal crisis evolved. The tighter Israeli restrictions on economic activities hastened the reversal of the recurrent budget surplus and the redirection of donor support from development to budget support. Yet, despite fluctuations in the budget deficit, the trade deficit showed little response and continued to be large, in the range of 50 per cent of GDP before and after the establishment of the PNA. This provides further evidence against the twin-deficits hypothesis in the Palestinian case.

B. Two measures of the resource gap

50. Cursory examination of the data as well as a formal Granger causality test provide no statistical support for the twin-deficits hypothesis. A more realistic understanding of the Palestinian macroeconomic imbalance recognizes its roots in the resource gap cultivated by occupation policies that stifle the economy and force Palestinians to seek employment in Israel and its settlements. Income from abroad generates a substantial increase in aggregate demand, not matched by increase in domestic production. As a result, a gap between income and domestic output developed as a difference between GDP and remittances, aid and net factor income (income of Palestinians working in Israel and settlements).

51. Furthermore, the employment of Palestinian workers in Israel and settlements contributes to a labour gap. The labour gap is the difference between the workforce and domestic employment and is equal to the number of unemployed workers plus those employed in Israel and settlements.

52. Table 4 shows that transfers accounted for a quarter of the income gap in 1972–1991 and increased steadily following the establishment of PNA to over three-quarters of the income gap in recent years. However, the income gap was highest during the era of direct occupation (1972–1991) and not during the last decade, where large budget deficits were financed by donor support.

Table 4
Income and labour measures of the resource gap
(Percentage)

Period	Income gap	Net current transfer/ income gap	Unemployment rate	Workers in Israel	Labour gap	Unemployment/ labour gap
1972–1991	43	26	3.9	33.4	37.3	10
1995–2000	26	44	27.7	13.5	41.2	67
2001–2003	30	77	36.8	6.4	43.2	85
2004–2006	29	76	30.4	6.0	36.4	84
2007–2014	33	70	28.7	7.9	36.6	78
2015-2017	25	44	26.7	12.3	39.0	69

Source: UNCTAD calculations, based on PCBS and World Bank (1993).

Note: The income gap is external income as a percentage of GDP, and net current transfer/income gap refers to net current transfer as a percentage of the income gap.

C. Structural transformation for reversing the resource gap

53. Reduction in the income gap could take place as a result of any combination of a decline in net factor income or in transfers and/or an increase in GDP. However, the correlation between the income gap and the labour gap is negative (-0.47), implying an inverse relationship between the two. This is consistent with the fact that a reduction in the employment of Palestinians in Israel and settlements reduces net factor income and may worsen domestic unemployment further via the fall in aggregate demand. Reduction in transfers has the same impact on demand, unemployment and GDP growth. A smaller income gap may thus lead to a larger labour gap, while a smaller labour gap caused by a decline in employment in Israel and settlements may exacerbate the income gap via its negative impact on GDP.

54. The preceding analysis indicates that reducing the budget deficit, or even eliminating it altogether, would not necessarily close the resource gap and may even exacerbate it by dampening growth and elevating unemployment without impacting the trade deficit. In other words, the mix of austerity and "reform" routinely prescribed to the State of Palestine overemphasizes the role of the budget deficit and glosses over the central problem of the Palestinian economy. Furthermore, the inappropriate prescription adds pressure on the already fragile socioeconomic and political conditions in the Occupied Palestinian Territory.

55. However, legitimate scepticism about further fiscal austerity should also distinguish between pertinent rationalization of public expenditure in the context of institutional reform, on the one hand, and typical austerity programmes, which crimp growth and can be self-defeating even on purely fiscal terms, on the other. Fiscal sustainability cannot be achieved by further austerity, but rather by a strategy that prioritizes economic growth, employment generation and stemming the leakage of Palestinian fiscal resources to Israel.

56. A revival strategy should seek to resuscitate the agricultural and manufacturing sectors while pursuing a reform programme to eliminate waste and maximize the quality of public spending. A starting point can be targeting the production of non-durable manufactured goods that used to be produced domestically prior to occupation, such as garments, footwear, leather products, soft drinks, furniture, construction materials and pharmaceuticals. Some 50 per cent of recent Palestinian imports from Israel were produced domestically.

III. UNCTAD assistance to the Palestinian people

A. Framework and objectives

57. For over three decades, UNCTAD has been supporting the Palestinian people by relevant policy-oriented studies, technical cooperation projects, advisory services and building international consensus on their development needs.

58. In 2017, UNCTAD continued to respond to paragraph 55 (dd) of the Nairobi Maafikiano, which requests UNCTAD to "continue to assess the economic development prospects of the Occupied Palestinian Territory and examine obstacles to trade and development…", and by paragraph 31 (m) of the Doha Mandate and to United Nations General Assembly resolutions 72/13, 71/20, 70/12 and 69/20, which request UNCTAD to report on the economic cost of the Israeli occupation for the Palestinian people.

59. The UNCTAD programme of assistance to the Palestinian people aims at building and strengthening the institutional capacities of the Palestinian public and the private sectors required for building a robust economy to underpin the future independent Palestinian State and achieve the Sustainable Development Goals. The programme addresses the Palestinian economy's needs through four clusters:

(a) Trade policies and strategies

(b) Trade facilitation and logistics

(c) Finance and development

(d) Enterprise, investment and competition policy.

B. Operational activities under way

60. Recently, UNCTAD successfully wrapped up a project on capacity development for facilitating Palestinian trade. One of the key achievements of the project was the establishment of a professional diploma training programme, entitled "Supply Chain Management", developed jointly by UNCTAD, the Palestinian Ministry of National Economy, the Palestinian Shippers Council and Birzeit University. The programme is designed to serve the needs of Palestinian exporters, importers, customs brokers, government staff, young graduates, lawyers and other professionals. In 2017, the programme was accredited by the Ministry of Education and Higher Education.

61. UNCTAD provided continuous advisory services to the Palestinian Government and various public and private sector institutions, international organizations, researchers and academics.

62. In 2017, UNCTAD continued its efforts to strengthen Palestinian customs capacity by engaging PNA and donors in a new round of cooperation to modernize and update the version of Automated Systems for Customs Data (ASYCUDA) World presently used by Palestinian customs. The proposed new intervention aims, among other things, at strengthening Palestinian capacity for customs valuation, risk analysis and post-clearance controls. It also seeks to establish an interface between ASYCUDA in the Occupied Palestinian Territory and the global gate system used in Israel to facilitate the exchange of trade data between the two systems in real time. This interface is essential for Palestinian fiscal sustainability, since it can be used to ensure timely access by the State of Palestine to accurate, comprehensive Palestinian trade data, which is a prerequisite for stemming the substantial leakage of Palestinian fiscal resources to Israel.

63. Furthermore, given the increasing Palestinian debt, and its growing complexity, UNCTAD continued dialogue with officials at the Palestinian Ministry of Finance and Planning to reintroduce the UNCTAD Debt Management and Financial Analysis System (DMFAS) to enhance the quality and scope of Palestinian public financial management. DMFAS can play a key role in mitigating the evolving risk of debt distress and ensuring that Palestinian public debt remains sustainable.

64. In 2017, UNCTAD benefited from a grant from the Government of Qatar to sustain and enhance UNCTAD capacity to support the Palestinian people's efforts to achieve sustainable development and lay the foundations of a sound, well-functioning economy to underpin a future sovereign Palestinian State.

C. Coordination, resource mobilization and recommendations

65. In 2017 and early 2018, UNCTAD continued its development support to the Palestinian people in coordination with the government of the State of Palestine, Palestinian civil society, international agencies, donors and the UN Country Team.

66. A shortage of resources limits the ability of UNCTAD to strengthen its assistance to the Palestinian people. Therefore, member States are invited to support UNCTAD capacity to implement paragraph 55 (dd) of the Nairobi Maafikiano by extending adequate resources to strengthen the staff capacity and fund proposed projects in this important area of work. UNCTAD also recommends securing the resources for upgrading Palestinian capacities for customs administration and financial management, and for fulfilling General Assembly resolutions, which request UNCTAD to assess and report on the economic cost of the Israeli occupation for the Palestinian people.

References

Al-Haq (2017). Gaza Closure Enters its Tenth Year. Available at http://www.alhaq.org/publications/papers/GazaClousureJune2017.pdf.

Amodio F, Di Maio M and Baccini L (2017). Security, trade and political violence.

Institute of Labour Economics. Discussion Paper No. 10819.

Arnon A and Bamya S, eds. (2015). *Economics and Politics in the Israeli Palestinian Conflict* (German Agency for International Cooperation).

Bank of Israel (2014). *Trade Links between Israel and the Palestinian Authority*. Available at http://www.boi.org.il/he/NewsAndPublications/PressReleases/Documents/Israel-Palestinian%20trade.pdf.

Dajani O and Lovatt H (2017). Rethinking Oslo: How Europe can promote peace in Israel-Palestine. European Council on Foreign Relations. Policy Brief.

Hashemzadeh N and Wilson L (2006). The dynamics of current account and budget deficits in selected countries in the Middle East and North Africa. *International Research Journal of Finance and Economics*. 5:111–129.

International Labour Office (2017). The situation of workers of the occupied Arab territories: Report of the Director General. Appendix. ILC.106/DG/APP.

International Labour Office (2018). The situation of workers of the occupied Arab territories: Report of the Director General. Appendix. ILC.107/DG/APP.

International Monetary Fund (2017). West Bank and Gaza: Report to the Ad Hoc Liaison Committee. 31 August.

Office for the Coordination of Humanitarian Affairs (2017). Occupied Palestinian Territory: Humanitarian Facts and Figures. Available at https://www.ochaopt.org/sites/default/files/factsheet_booklet_final_21_12_2017.pdf.

United Nations (2012). *Gaza in 2020: A Liveable Place?* (Office of the United Nations Special Coordinator for the Middle East Peace Process, Jerusalem).

United Nations (2017a). Report to the Ad Hoc Liaison Committee. 18 September.

United Nations (2017b). *Gaza: Ten Years Later* (United Nations Country Team in the Occupied Palestinian Territory).

Palestine United Nations (2018). Report to the Ad Hoc Liaison Committee. 20 March.

UNCTAD (2017a). *The Occupied Palestinian Territory: Twin Deficits or an Imposed Resource Gap?* (United Nations publication, New York and Geneva).

UNCTAD (2017b). Report on UNCTAD assistance to the Palestinian people: Developments in the economy of the Occupied Palestinian Territory. TD/B/64/4. 10 July.

UNCTAD (2018). *The Economic Costs of the Israeli Occupation for the Palestinian People and their Human Right to Development: Legal Dimensions*. (United Nations publication, New York and Geneva).

World Bank (2018). Economic monitoring report to the Ad Hoc Liaison Committee. Working Paper. 19 March.

World Bank (2017). *Unlocking the Trade Potential of the Palestinian Economy: Immediate Measures and a Long-Term Vision to Improve Palestinian Trade and Economic Outcomes*. Report No. ACS22471 (Washington, D.C.).

World Bank (1993). *Private Sector Development*. In volume 3, *Developing the Occupied Territories: An Investment in Peace* (Washington, D.C.).